

## **C.8**

MEMO TO: City Council

FROM: Rosemarie Ives, Mayor

DATE: October 18, 2005

SUBJECT: **APPROVAL OF INTERIM AGREEMENT FOR CITY HALL TENANT IMPROVEMENTS, PROJECT NO. 100250 (95-CI-77)**

### **I. RECOMMENDED ACTION**

Move to approve the Interim Agreement with Redmond Community Properties, and authorize the Mayor to sign the agreement.

### **II. DEPARTMENT CONTACT PERSONS**

David Rhodes, Director of Public Works	556-2705
Bill Campbell, City Engineer/Assistant Director of Public Works	556-2733
Ron Grant, Construction Division Manager	556-2742
Mike Paul, Project Manager	556-2721

### **III. DESCRIPTION**

This agreement authorizes the National Development Council to utilize unexpended capitalized interest and project contingency funds to pay for Tenant Improvements (TI) for the City Hall project. These funds are already included in the proceeds from the sale of bonds at the beginning of the project. In addition, the agreement clarifies the City's commitment to enter into a lease amendment with Redmond Community Properties in the event that remaining capitalized interest and project contingency funds are not sufficient to cover the costs of the Tenant Improvements.

The budget for capitalized interest assumed a June 2006 opening for the building. Expected occupancy is now scheduled for December 2005, allowing the City to reprogram this money for TI.

The Council's Planning and Public Works Committee has been monitoring the TI construction costs and agreed that capitalized interest and the remaining contingency funds be used to cover any shortfall. This action formally implements that recommendation.

#### IV. **IMPACT**

A. Service Delivery:

This agreement allows Wright Runstad and Lease Crutcher Lewis to complete construction of Tenant Improvements for the City Hall Project.

B. Fiscal:

This agreement authorizes unexpended capitalized interest and project contingency funds included in the existing bond proceeds to be used to construct Tenant Improvements.

#### V. **ALTERNATIVES**

None recommended.

#### VI. **TIME CONSTRAINTS**

Agreement Approval  
Complete Tenant Improvements

October 18, 2005  
November 23, 2005

#### VII. **LIST OF ATTACHMENTS**

A. Interim Agreement

**William J. Campbell for**  
David Rhodes, Director of Public Works

**10/11/05**  
Date

Approved for Council Agenda **s/s**  
Rosemarie Ives, Mayor

**10/11/05**  
Date

## INTERIM AGREEMENT

THIS INTERIM AGREEMENT is dated for reference purposes \_\_\_\_\_, 2005, and is made by and between **REDMOND COMMUNITY PROPERTIES**, a Washington nonprofit corporation ("Landlord"), and the **CITY OF REDMOND, WASHINGTON**, a Washington municipal corporation ("Tenant").

### RECITALS

A. Landlord and Tenant entered into that certain Lease Agreement dated February 17, 2004, as amended ("Lease"), pursuant to which Landlord is obligated to construct an office building to serve as the new Redmond City Hall ("Project"). Capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Lease.

B. In connection with the Project, Landlord has agreed to cause certain Tenant Improvements to be constructed to the interior of the Project beyond the Base Shell and Core Building, including data wiring.

C. Landlord has been requested to approve a change order to the construction contract for the Project to provide for the construction of Tenant Improvements in the amount of \$6,674,365.00.

D. The total cost of the Tenant Improvements desired by Tenant is presently estimated to exceed the Tenant Improvement Allowance provided by Landlord pursuant to the requirements of the Lease by approximately \$1,200,000 ("TI Shortfall").

E. Based upon an estimated Substantial Completion of the Project on or about December 7, 2005, Landlord and Tenant currently estimate that approximately \$954,000 of capitalized interest in the Project Budget will remain unexpended. In addition, Landlord and Tenant currently estimate that approximately \$600,000 of the Project Contingency will remain unexpended, with 50% of such amount for the account of the City. Such amounts are available under the terms of the financing for the Project for application to the TI Shortfall.

F. The final amount of the unexpended capitalized interest and of the Tenant's share of the Project Contingency will not be determined until Substantial Completion of the Project. However, funds currently held by the Trustee as the result of the 10% retainage specified under the General Construction Contract provide sufficient funds to allow Landlord to approve the change order for the Tenant Improvements and to provide for the payment of costs associated with the Tenant Improvements desired by Tenant.

G. Landlord is willing to approve the change order for the Tenant Improvements and Tenant desires to obtain Landlord's approval of such change order on the terms and conditions set forth herein.

## AGREEMENTS

**1. Determination of Funds Available.** Upon achieving Substantial Completion of the Project, Landlord (with the assistance of Developer) and Tenant shall (i) calculate the final amount of the TI Shortfall, (ii) calculate the amount of unexpended capitalized interest available for application to the TI Shortfall and (iii) determine the Tenant's share of the unexpended Project Contingency also available for application to the TI Shortfall.

**2. Lease Amendment.** If Landlord and Tenant determine that the amount of the TI Shortfall remaining after application of the unexpended capitalized interest and Tenant's share of the Project Contingency is \$100,000 or less, the parties shall enter into a Lease Amendment which increases the Monthly Rent otherwise due under the Lease to provide for the payment of such remaining TI Shortfall in equal monthly payments over the period of time remaining between the date of such Lease Amendment and the date reasonably estimated by Landlord and Tenant for Final Completion of the Project.

**3. Other Funding Arrangements.** In the event that the amount of the remaining TI Shortfall is greater than \$100,000, Landlord and Tenant shall cooperate in good faith to determine other acceptable arrangements for payment by Tenant of the remaining TI Shortfall. Any such arrangements must comply with the Municipal Leasing Act, RCW 35.42, and may include, but are not limited to, additional borrowing by Landlord. Any such additional borrowing would require a corresponding amendment to the Lease providing for the payment of such loan through increased Monthly Rent over the term of the loan (as approved by Tenant).

**4. Bond Insurer Approval.** Landlord and Tenant acknowledge that any amendment to the Lease as contemplated by this Agreement will require approval of the Bond Insurer and the parties shall cooperate in seeking such approval.

**5. Governing Law.** This Agreement shall be construed in accordance with and governed by the laws of the State of Washington.

**6. Counterparts.** This Agreement may be executed in several counterparts, each of which shall be deemed an original for all purposes.

EXECUTED the day and year first above written.

CITY OF REDMOND, WASHINGTON

REDMOND COMMUNITY PROPERTIES

---

Mayor Rosemarie M. Ives

---

By: John Finke  
Its: Vice President

APPROVED AS TO FORM:

---

City Attorney James E. Haney